

FISCAL UPDATE

January 18, 2007

Legislative Services Agency

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<http://staffweb.legis.state.ia.us/lfb>

DEPARTMENT OF HUMAN RIGHTS APPROPRIATIONS TRANSFER

Appropriations Transfer



The Fiscal Services Division of the Legislative Services Agency (LSA) received notification of a request to transfer funds pursuant to Section 8.39, Code of Iowa. The notice requests a transfer of \$20,000 from the Department of Human Rights, Division of Criminal and Juvenile Justice Planning, to the Department of Human Rights, Division on the Status of African-Americans.

Transfer Purpose

The purpose of the transfer is to cover estimated personnel and support costs of the Division on the Status of African-Americans for FY 2007. The savings in the Division of Criminal and Juvenile Justice Planning is due to personnel vacancies.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764)

MEDICAID FORECAST FOR FY 2007 AND FY 2008

Medicaid Forecast

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met December 22 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2007 and FY 2008. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current and upcoming fiscal years.

FY 2007

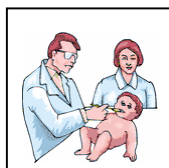


House File 2734 (FY 2007 Health and Human Services Appropriations Act) included total State funding of \$759.2 million. For FY 2007, the three staffs agreed to an estimated supplemental need of \$19.0 million to a surplus of \$3.0 million, with a midpoint of an \$8.0 million supplemental need. The total State funding for Medicaid in FY 2007 is an estimated increase of \$13.5 million to \$34.5 million compared to estimated FY 2006. This includes the following costs and assumptions:

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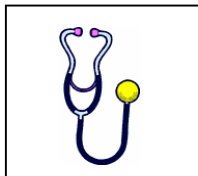
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- An estimated \$2.0 million to fund an estimated 0.3% enrollment growth.
- An estimated \$5.1 million to fund an estimated 0.7% increase for medical inflation.
- \$4.8 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$12.2 million due to the Federal Medical Assistance Percentage (FMAP) decreasing from 63.61% to 61.98%.
- \$12.7 million to fund a 3.0% provider rate increase.
- \$1.4 million to fund an increase in the personal needs allowance from \$30 to \$50 per month for residents of nursing facilities.
- \$1.0 million to fund Medicaid for children aging out of the foster care system up to age 21.
- \$250,000 to fund a matching grant for the Iowa Health Care Collaborative.
- \$15.7 million in various savings related to the Iowa Medicaid Enterprise, the Medicaid Family Planning Waiver, and the federal Deficit Reduction Act (DRA) of 2005.
- \$3.9 million to increase nursing facility rates to the FY 2007 cap.
- \$7.0 million to fund increased costs associated with the change from the Adult Rehabilitation Option (ARO) and Rehabilitative Treatment Services (RTS) to the Remedial Services Program (RSP).

FY 2008



For FY 2008, the three staffs agreed to a range of \$29.0 million to \$70.0 million, with a midpoint of \$49.5 million over the original FY 2007 appropriation. This includes the following costs and assumptions:

- \$8.0 million to adjust FY 2008 for the FY 2007 supplemental need.
- \$10.3 million for a 2.4% enrollment increase.
- \$7.7 million for 1.0% medical inflation.
- \$13.5 million to fund additional costs due to the FMAP decreasing from 61.98% to a projected 61.73%.
- \$2.3 million to complete the transition to the RSP.
- \$500,000 to replace funds carried forward for Field Operations in FY 2007.
- \$1.3 million to fund increased enrollment in the Medicaid for Young Adults (MYA) Program.
- \$10.4 million to rebase nursing facilities.

Citizenship Requirement

The federal DRA of 2005 required verification of citizenship during the Medicaid eligibility screening process. The DHS is coordinating with the Department of Public Health to assist Medicaid applicants with obtaining the required documents. The DHS is also assuming any expense associated with an applicant obtaining a birth certificate.



Medicaid enrollment decreased during the first three months of FY 2007 and increased in October, followed by an off-setting decrease in November. Enrollment figures for December were not available at the meeting. The volatility of enrollment thus far makes forecasting for the rest of the fiscal year difficult.

Average enrollment grew 6.4% during FY 2004, 5.8% during FY 2005, and 3.4% during FY 2006. According to LSA estimates, average enrollment during FY 2007 is projected to grow by 0.3%. It is believed that the leveling off of enrollment in FY 2007 can be attributed largely to the citizenship requirement. More data is being gathered to better understand the requirement's effects on Iowa's Medicaid population.

Dis-enrollment

Until October, no Medicaid clients had been dis-enrolled from the Program for failure to prove citizenship. Clients were given 90 days to obtain proper documentation. November enrollment figures likely reflect the dis-enrollment of some clients who were up for review in July and were unable to document their citizenship status.

The effects of the citizenship requirement will likely continue throughout FY 2007 and up through October of FY 2008 since renewal dates for Medicaid clients are distributed throughout the year.

RTS Services



Beginning July 1 of this year, the DHS began de-linking Medicaid RTS from the Child Welfare System. Changes to ARO services also began on July 1. Both changes are the result of the federal Centers for Medicare and Medicaid Services (CMS) requirements related to documentation and eligibility. Iowa was required to repay \$6.2 million related to non-compliance with federal ARO service requirements in FY 2006. Starting November 1, 2007, clients formerly served under RTS and ARO could be served through the Remedial Services Program (RSP). A Licensed Practitioner of the Healing Arts determines eligibility and Medicaid-enrolled Remedial Service Providers provide services. Providers can transition to the new RSP anytime before January 1, 2007. No new ARO or RTS services will be authorized after January 1. It is important to note that the State is vulnerable to repayment of federal funds resulting from any audits conducted by the federal government during the period of transition to RSP.

New service definitions will likely result in increased costs to the State and counties, as some services formerly matched with federal funds will now be paid with 100.0% State or county funds. The increased State cost in Medicaid is estimated to be \$7.0 million for FY 2007 and is included in the estimated supplemental need.

The DHS has also applied for a new waiver-type service offered in the DRA that has the potential to off-set increased county costs by offering services formerly provided under ARO that cannot be provided under RSP. This new service has an estimated increased cost to the State of \$300,000 in FY 2007. The estimated FY 2007 increased cost to the counties compared to the former ARO services is \$1.2 million. In FY 2008, the State cost is estimated to be \$1.4 million and the county cost \$5.5 million.

Nursing Facilities



The DHS submitted a State Plan Amendment (SPA) to the CMS that would have allowed the State to pay nursing facilities one-third of the Skilled

Nursing Facility Market Basket Index for the last quarter of FY 2006 and increase nursing facility rates to spend up to the FY 2006 cap. Since public notice was not given prior to the start of the final quarter of the fiscal year, the SPA was approved for only the last four days of FY 2006 at a total cost of \$450,000, with a State share of \$164,000.

Legislative leaders and the Governor directed the DHS to resubmit this SPA for the quarter beginning October 1, 2006. The amendment allows nursing facility rates to be adjusted to pay up to the FY 2007 cap of \$177,701,264. This is an increase of \$10.5 million in total dollars and a cost of \$3.9 million to the State. Since the cap is not equivalent to an appropriation, the funding for this increase had not previously been considered and is included in the FY 2007 supplemental appropriation estimate. The SPA has been approved and it is expected that nursing facilities will receive the temporary increase in late January.

The actuarial firm of Myers and Stauffer recently projected that nursing facility expenditures, following this increase, will be very near the FY 2007 capped amount.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

GOVERNOR'S FY 2008 BUDGET HEARING

Required Hearing



Section 8.26, Code of Iowa, requires the Governor to hold an annual budget hearing after receipt of the State departments' budget requests. The hearing was held on December 22.

The Director of the Department of Management (DOM) conducted the hearing and indicated that as required in statute, the Governor-Elect and the appointed Director of the DOM had been invited and was represented by staff.

Discussion

Those present discussed the FY 2006 ending balance of the State General Fund and the impact of the December Revenue Estimating Conference (REC) on the FY 2007 and the FY 2008 budgets. The budget process to be used by the 2007 General Assembly was also discussed.

More Information

Additional information is available from the LSA upon request.

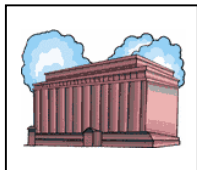
STAFF CONTACT: Sue Lerdal (Ext. 17794)

LEGISLATIVE FISCAL COMMITTEE MEETING

Fiscal Committee

The Legislative Fiscal Committee met on January 8.

New Office Buildings



Director Mollie Anderson, Department of Administrative Services (DAS), presented a Return on Investment analysis that was required in order for the Department to proceed with the planning, design, and construction of two new office buildings.

The buildings include a model energy efficient building for the Iowa Utilities Board/Consumer Advocate Division, Department of Justice, and an office

building and parking structure for multiple State agencies. Both facilities will be constructed on the Capitol Complex.

Report Accepted

The Committee approved a motion to accept the DAS Report, indicating the Report complies with Section 8A.330, Code of Iowa. The action was required to allow the Department to expend in excess of \$1.0 million in appropriated funds for the projects.

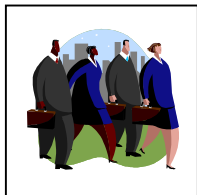
More Information

Handouts from the meeting are available on the web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=46>. Additional information is available from the LSA upon request.

STAFF CONTACTS: Sue Lerdal (Ext. 17794) David Reynolds (Ext. 16934)
Kerri Johannsen (Ext. 14611)

COMMERCIAL PROPERTY TAX COMMISSION MEETING**Property Tax Commission**

Governor-elect Culver formed a Commercial Property Tax Commission to examine Iowa's property tax system and, in particular, the question of the equity of the relationship between commercial property taxes and the taxes on residential, agricultural, and utility property. The Commission met on December 21 and January 4.

Commission Members

The Commission includes Co-Chairperson Teri Goodman, Dubuque Regional Airport Commission; Co-Chairperson Mike King, Union County Supervisor; Dan Smith, Consultant to the City of Coralville and Iowa Home Builders Association; Mike Kiernan, Des Moines City Council; Preston Daniels, Realtor and former mayor of Des Moines; Jim Kurtenbach, former State Representative; Don Shoultz, former State Representative; Debi Durham, president Siouxland Chamber of Commerce; and Dennis Ausenhus, Senior Vice President of Hy-Vee.

Assessments

Dick Stradley, Department of Revenue, discussed the role of the Department regarding property taxes and discussed a brief history of property tax assessments, the growth of the different classes of property, and the rollback and its impact to taxable valuations.

Assessor Duties

Dave Ellis, Warren County Assessor, discussed the duties of an Assessor and provided information on three approaches to valuation (market, cost, and income).

Taxes Paid

Peter Fisher, University of Iowa, Professor of Urban and Regional Planning, provided information regarding both commercial property tax and corporate income tax paid, and compared Iowa to the nation.

Iowa's System

Jeff Robinson, LSA, provided an overview of the property tax system in Iowa, including historical and trend data regarding both assessments and taxes by classification.

Discussion

After the presentations, the Commission had a discussion that was facilitated by the State Public Policy Group (SPPG).

Public Comment

The January 4 meeting was devoted mostly to public comment on the commercial property tax issue. Comments were provided from representatives of the:



- City of Council Bluffs,
- City of Des Moines,
- City of De Soto,
- City of Dubuque,
- Children and Family Policy Center,
- Conlin Properties,
- Iowa Association of School Boards,
- Iowa Chamber Alliance,
- Iowa Commercial Real Estate Association,
- Iowa League of Cities,
- Iowa Manufactured Housing Association,
- Iowa State Association of Counties,
- Iowa Telecommunications Association,
- Metro Advisory Council, and
- Polk-Des Moines Taxpayers Association.

Past Legislation

Commission member Don Shoultz provided information on past legislation that addressed a variety of property tax issues. Mr. Shoultz noted that revisiting issues that were addressed in that legislation would be beneficial.

Discussion of Issues

After the public comment period, the SPPG facilitated discussion. Commission members were asked to provide the greatest issues needing to be addressed and potential solutions. This information will be used to facilitate the discussion of the next meeting.

More Information

The next meeting is scheduled for January 16. Handouts, presentation materials, and minutes from the meetings may be accessed at: <http://www.govelect.iowa.gov/issues/comm-prop-tax.php>. Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614) Shawn Snyder (Ext. 17799)

OLMSTEAD CONSUMER TASK FORCE MEETING

Task Force Meeting

The Olmstead Consumer Task Force met on December 8.

Policy Summit

The Task Force reviewed the results of the Policy Summit, including personal consumer stories, barriers, funding fragmentation, and discussed the potential steps of the Governor-elect's position of serving those with special needs.

Recommendations

The Task Force discussed the proposed recommendations regarding the Community Options Workgroup, which was required to be established in HF

841 (IowaCare Medicaid Reform Act). The proposed recommendations include:



- Improving access to services by the development and maintenance of a statewide network, providing navigation assistance to consumers and family members, enhancing access to case management services, development of a functional assessment process, funding discharge planning, and developing rules for presumptive eligibility to Medicaid and home and community-based waiver services.
- Financing services by revising waivers to allow an aggregate average in lieu of specific individual expenditure capitations, adding differential reimbursements for certain services, and exploring differential eligibility for waiver and institutional services.
- Amend Medicaid and wavier services to allow personal care, self direction, transitional, assistive technology, telehealth, and crisis intervention.
- Develop quality assurance processes.

Money Follows Person



The Task Force discussed the federal Money Follows the Person Grant that has been applied for from January 2007 to September 2011. The goal is to transition 528 individuals from Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) to a different setting. The five-year cost is estimated at \$64.0 million, with the federal government providing \$51.0 million of the cost.

Legislative Priorities

The members discussed the Task Force's legislative priorities for the 2007 Legislative Session.

More Information

The next meeting is scheduled for March 9. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

DECEMBER COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met via teleconference on December 13.

Administrative Rules



The Council adopted the following Administrative Rules:

- Provides a State Supplementary Income (SSI) cost-of-living increase to recipients of the State Supplementary Assistance Program.

The maximum monthly premium of \$422 is charged when the person's income is equal to 705.0% of the Federal Poverty Level (FPL), and will increase to \$443 per month for persons with an income equal to 725.0% of the FPL. For those at 150.0% of the FPL, the monthly premium increases from \$27 to \$28 per month. The Department of Human Services (DHS) assumes there will be an increase in the eligible enrollment when determining the fiscal impact. Since this is a Medicaid Program, the revenue increase is divided between the federal government and the State. The State revenue increase will be approximately \$55,000 for FY 2007.

- Provides Medicaid coverage for independent young adults. The Program will serve an estimated 413 youths at a State cost of \$1.1 million in FY 2007, and an estimated 826 youths at a State cost of \$2.2 million in FY 2008. House File 2734 (FY 2007 Health and Human Services Appropriations Act) provided an estimated increase of \$800,000 in the Medicaid appropriation for this purpose in FY 2007.

- Updates procedures for estate recovery from Medicaid beneficiaries. No fiscal impact.
- Implements Medicaid coverage for habilitation services. The new Habilitation Services Program is expected to serve most Medicaid clients formerly served by the Adult Rehabilitation Option (ARO).

The State will be responsible for the State share of habilitation services for State Cases. The counties will be responsible for the State share of habilitation services for people with legal settlement in a county. The increased cost to the General Fund is expected to be \$300,000 in FY 2007 and \$1.4 million in FY 2008. The increased cost to counties is expected to be \$1.2 million in FY 2007 and \$5.5 million in FY 2008.

- Eliminates group care rehabilitative treatment services.

Decreased utilization will result in the loss of an estimated \$8.3 million in federal funds in FY 2007 and \$12.4 million in FY 2008, in addition to a decrease in General Fund expenditures of an estimated \$1.3 million in FY 2007 and \$1.9 million in FY 2008.

Increased utilization by adults, increased eligibility among children, and the change in federal financial participation will result in a cost to the General Fund of \$9.3 million in FY 2007 and \$12.5 million in FY 2008. The net effect on the General Fund is an estimated increased cost of \$8.0 million in FY 2007 and \$10.6 million in FY 2008. The increased cost for FY 2007 will be included in the FY 2007 Medicaid supplemental request.

- Gives DHS protective service supervisors sole authority to approve extensions of time for completing dependent adult abuse reports; rescinds the subrule on who has access to dependent adult abuse information; and clarifies that the Department does not release the identity of the person who made the report of abuse. No fiscal impact.



Noticed Rules

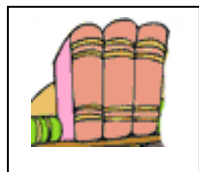
The Council reviewed an Administrative Rule for adoption at a future meeting that implements federal Food Assistance Program data reporting requirements. The Rule has no fiscal impact.

Member Concerns

Council members discussed the following:

- Concerns from counties and certain providers regarding funding and eligibility for the new Medicaid habilitation services coverage.
- Concerns regarding data reporting requirements for the federal Food Assistance Program relating to limitations on race designations on the data collection form.

Director's Report



Deputy Director Sally Titus provided the following information:

- An update regarding the Healthy and Well Kids in Iowa (*hawk-i*) Program relating to recent federal audit information. The DHS is appealing the \$3.5 million required payback and disagrees with 25.0% of the specified errors. The response to the federal Centers for Medicare and Medicaid Services was due on December 20.
- Staff are meeting with legislators and providers regarding the FY 2008 child care budget concerns.
- Reminded members of the recent receipt of a \$400,000 Food Assistance Program federal bonus for improved access.

More Information

The next meeting is scheduled for January 10, 2007. Additional information is available from the LSA upon request.

STAFF CONTACTS: Kerri Johannsen (Ext. 14611) Lisa Burk (Ext. 17942)
Sue Lerdal (Ext. 1-7794)

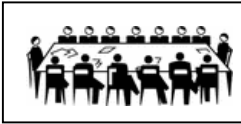
DECEMBER MENTAL HEALTH, MENTAL RETARDATION, DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY COMMISSION MEETING

Commission Meeting

The Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury (MH/MR/DD/BI) Commission met on December 13.

Accreditations

The Commission approved various accreditations of providers and one County Plan amendment.

New Division Director

Dr. Allen Parks, recently-appointed Division Director for Mental Health, Department of Human Services (DHS), shared information, including:

- Plans to develop a vision and steps to implement it.
- Will be meeting with various interest groups to focus on key areas.
- Realizes the need for improved data and outcomes information systems.
- Desires to develop an integrated mental health service system focusing on quality programs and support.
- Expressed concerns regarding the staffing limitations within the Division and the need to prioritize efforts.

2007 Legislative Priorities

The Commission discussed proposals for the 2007 General Assembly, including stabilization of the State and county mental health system funding partnership by the following:



- Requesting a possible FY 2007 supplemental appropriation in FY 2008 beyond what was appropriated for Mental Health Allowed Growth. This would include \$20.4 million to replace the FY 2002 reduction and \$3.6 million to include in the FY 2008 enacted appropriation to cover the additional funds added to the original FY 2007 appropriation.
- Merge the Mental Health Community Services Fund, the Mental Health Allowed Growth, and the Property Tax Relief (standing) appropriations and utilize a yet to be determined revision by the Commission of the distribution formula.
- Lift the county mental health property tax amount capitation and utilize a county levy rate, whichever would be greater in amount.
- Begin implementing the proposed Children's Mental Health System design with a \$200,000 appropriation for transitional planning and coordination of computer systems.
- Refer a FY 2009 allowed growth recommendation to a subgroup of members.

Other Items

The members discussed the following:

- Proposed data reporting elements and future data resources that may be available.



- A comparison of the counties that utilize a block grant process or a fee-for-service process for funding mental health services.
- Reviewed the frequency of the term “chronic mental illness” within the Code of Iowa.
- Long-time issues relating to the Clerks of Court using a certain form for involuntary hospitalization and possible reinstatement of Medicaid eligibility upon discharge from a penal or psychiatric institution.
- The 2005 Braddock Report regarding Resource Centers and Mental Health Institutes population and cost trends.
- Release of a DHS December report regarding seclusion and restraint use at DHS institutions.
- Preparation of the January 1 Commission Report for submittal to the Governor and the General Assembly.

Public Comment

Public comments included a request from the Iowa State Association of Counties (ISAC) for a DHS and Commission response to the recently-released report from Iowa Protection and Advocacy regarding the county appeal process for individual services. The Commission deferred discussion to the January meeting.

More Information

The next meeting is scheduled for January 18. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

***hawk-i* FORECAST MEETING - FY 2007 AND FY 2008**

***hawk-i* Forecast**

Staff representatives from the Department of Management (DOM), the Department of Human Services (DHS), and the LSA meet quarterly to discuss the budget for the State Children's Health Insurance Program (SCHIP), also known as *hawk-i*. The group met on December 15, and discussed projections for the remainder of FY 2007 and FY 2008.

FY 2007



The three staffs agreed to a surplus range of \$3.9 million to \$5.6 million for FY 2007. The projection assumes the following:

- An enrollment increase of an estimated 4.8%.
- An estimated increase of 5.0% in the average per person per month cost.
- An increase of 1.14% in the State share of the enhanced Federal Medical Assistance Percentage (FMAP).

FY 2008

The three staffs agreed that funding *hawk-i* at the same level as FY 2007 should be sufficient to cover costs in FY 2008. The projection assumes the following:

- An enrollment increase of an estimated 5.3%.
- An estimated increase of 6.0% in the average per person per month cost.
- An estimated increase of \$2.0 million for increased premium payments.
- An increase of 0.42% in the State share of the enhanced FMAP.

OIG Audit

The federal Office of Inspector General (OIG) recently completed an audit of *hawk-i* for FY 2001 and FY 2002 and recommended that the DHS repay \$3.5 million to the federal government. The DHS is currently in negotiations with the federal Centers for Medicare and Medicaid Services (CMS) regarding the final repayment amount. The DHS replaced the contractor the State used during the time period of the audit due to the problems noted in the audit.

Federal Funding

It is estimated that Iowa's federal funds allocation will be sufficient to fund *hawk-i* through July 2007. If the federal government does not take action to appropriate new funds or reallocate existing funds, a shortfall of \$15.0 million is expected to occur during the first quarter of SFY 2008. Federal SCHIP authorization expires at the end of FFY 2007. Action to reauthorize the Program will need to take place before FFY 2008 begins to avoid continuing shortfalls in Iowa's Program.

PERM Audit

In FY 2008, the DHS is required by the CMS to fund an external Payment Error Rate Measurement (PERM) audit of the Program. This audit will be used to calculate a national payment error rate.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

AGING SERVICES CABINET MEETING**Cabinet Meeting**

The Aging Services Cabinet met on December 19.

Older Americans

Director Mark Haverland, Department of Elder Affairs, reported on the re-authorization of the federal Older Americans Act, which was signed into law on October 17, 2006. He also summarized information from the Emergency Preparedness Conference.

Community Choice

Brooke Lovelace, Department of Human Services (DHS), reported on the implementation of the Community Choice service option in the Waterloo service area. The option is currently available only in the Waterloo service area. The DHS hopes to have the option available statewide by August 2007.

Case Management

Eileen Creager, DHS, reported on the progress of the implementation of the Case Management for the Frail Elderly Program, including:

- 41 agencies are currently providing the service.
- 8,165 people are currently eligible for the service under the Medicaid Elderly Waiver.
- 6,850 people are currently receiving this service.



The DHS is trying to determine why all eligible people are not receiving Case Management services and whether waiting lists have been formed in some counties. The formation of waiting lists violates federal Medicaid regulations. If providers do not have enough capacity to provide Case Management to a person on the Waiver, they are to refer that person to another provider agency or contact the DHS.

As a next step, the DHS will be working to include Assisted Living services under the Elderly Waiver.

Transition Report

Clay McClure, Governor's Office, provided a final transition report on aging issues for the Vilsack/Pedersen Administration.

Food Assistance

Ann Wiebers, DHS, provided information on the Food Assistance Program in relation to eligible older Iowans.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

JANUARY COUNCIL ON HUMAN SERVICES MEETING

Council Meeting

The Council on Human Services met on January 10.

Adm. Rules



The Council adopted the following Administrative Rules:

- Technical changes to update references to the Department of Revenue. No fiscal impact.
- Implements revised federal regulations for reporting data on the race and ethnicity of participants. No fiscal impact.
- Increases the cap on waiver services costs for the six home and community-based waivers by 3.0% to accommodate the increase in provider rates.
- The estimated fiscal impact will be a cost to the General Fund of \$219,000 in FY 2006 and \$223,000 in FY 2008. The funding for FY 2007 was provided as part of the Medicaid appropriation in HF 2734 (FY 2007 Health and Human Services Appropriations Act).
- Allows flexibility for court-directed graduated sanction service components and requires staff providing therapy services to meet licensing standards to qualify for Medicaid reimbursement. No fiscal impact.

MH Director

Dr. Allen Parks was introduced as the new Director for the Division of Mental Health and Disability Services.

Children At Home

Mary Nelson and Marion Kresse, Department of Human Services (DHS), and members of the Comprehensive Family Support Council discussed concerns and alternatives for the expansion of the Children at Home Program, which is currently available in 14 counties. The Program is funded with an allocation of \$333,000 from the \$1.9 million appropriation for the Family Support Subsidy Program.

Child Care Quality

Jody Caswell, DHS, provided an update on the Child Care Quality Rating System (QRS). The QRS is voluntary and there are currently 250 participating providers, with the majority having a rating of Level II.

Consumer Choice



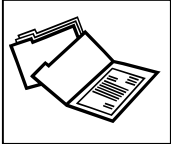
Brooke Lovelace, DHS, provided an update on the Consumer Choice service option, which was rolled out in the Waterloo Service Area covering 12 counties on December 1. There are currently five consumers enrolled. The option will be rolled out in the Ames Service Area on February 1, and is expected to be statewide by summer 2007.

Elevate Program

A presentation on the activities of youth who participate in the Elevate Program was provided. The Program involves young people who provide support for foster care and adoptive teens.

***hawk-i* Study**

Anita Smith, DHS, provided information on a study conducted by the University of Iowa that focused on barriers to *hawk-i* and Medicaid enrollment, as well as changes that will be implemented to address these barriers.

Director's Report

Director Kevin Concannon provided the following information:

- Chief Justice Ternus has expressed a particular interest in foster care children, as well as only having judges hear child welfare cases if they are interested in such cases, and having a single judge follow a child through the duration of their case. In addition, she wishes to address the adequacy and quality of guardian ad litem, which may include an increase in their reimbursement.
- Four Oaks was awarded the child welfare services contract and will subcontract with other local providers for the statewide provision of these services. Financial incentives have been built into the contract and Four Oaks will be reimbursed based on results.
- There is considerable interest in expanding the *hawk-i* Program to include parents. In order to cover parents of children covered by *hawk-i* who have a higher income, the State must also cover parents of children receiving Medicaid who have a lower income. The cost to expand coverage to parents whose children are eligible for Medicaid is significant, ranging from \$43.4 million to \$130.1 million in State funds, depending on the level of expansion.
- Distributed the list of seven special projects to be funded by the Division of Mental Health and Disability Services.
- The Medicaid supplemental need for FY 2007 is lower than originally expected, with the need ranging from \$-3.0 million to \$19.0 million. The need for less funds is thought to be attributable to the reduced enrollment in Medicaid due to the federal citizenship proof requirement.

More Information

The next meeting is scheduled for February 14. Additional information is available from the LSA upon request.

STAFF CONTACTS: Kerri Johannsen (Ext. 14611) Lisa Burk (Ext. 17942)
Sue Lerdal (Ext. 1-7794)

STATE BOARD OF HEALTH MEETING**Board Meeting**

The State Board of Health met on January 10.

Director's Report

Interim Director Mary Hansen provided the following information:

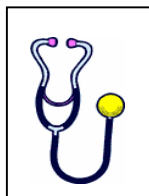
- Explanation of the Interim Director title during the transition of the Governor's administration.
- The Department will request that Governor Culver meet with the Board. Members added that the new department director should have public health experience.
- Reviewed meetings with key legislators regarding proposals for a Tobacco Tax increase and Board initiatives.

- Provided an update on the antiviral stockpile, storage, and monitoring requirements.

Deputy Epidemiologist

Dr. Kenneth Soyemi was introduced as the new Deputy Epidemiologist.

IPHA Leg. Agenda



Mary O'Brien provided the Iowa Public Health Association (IPHA) legislative agenda. This includes:

- Support of a Tobacco Tax increase and legislation for second-hand smoke protection.
- Improvements for food protection and reproductive health needs.
- Prevention of obesity and health disparities.
- Decrease in lead poisonings.
- Increase in the minimum wage.
- Additional nurse consultants for the Child Care Quality Rating System.

Legislative Agenda

Lynh Patterson, Department of Public Health (DPH), provided the Department's 2007 legislative agenda, which includes:

- Technical legislation that changes titles of certain examining boards.
- Omnibus legislation regarding oral health and liability immunity under certain order situations.
- Dental screening of children, in lieu of examinations.
- Testing women for HIV-AIDS and changing the process for refusing the opportunity for testing.

DPH Adm. Rules

The Board approved several Administrative Rules relating to the DPH for adoption, and approved several Rules for adoption at a future meeting.

DIA Adm. Rules

The Board approved an Administrative Rule relating to the Department of Inspections and Appeals (DIA) for adoption at a future meeting.

S/A Licensure

The Board approved licensure recommendations for substance abuse programs.

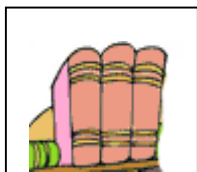
More Information

The next meeting is scheduled for March 14. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

**MENTAL HEALTH, MENTAL RETARDATION,
DEVELOPMENTAL DISABILITIES, AND BRAIN INJURY
COMMISSION - FY 2009 MENTAL HEALTH ALLOWED
GROWTH RECOMMENDATION**

Recommendation



The Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury (MH/MR/DD/BI) Commission is required by Section 331.439, Code of Iowa, to make a mental health allowed growth recommendation by

November 15 for the fiscal year which begins two years from the beginning date of the fiscal year in progress at the time the recommendation is made.

Prior to November 15, 2006, the Commission made a preliminary recommendation for unspecified additional funds and indicated a more exact recommendation would be finalized after the December meeting.

Allowed Growth Recom.

On December 23, 2006, the Commission forwarded recommendations for changes to the FY 2007 allowed growth appropriation, FY 2008 enacted allowed growth, and FY 2009 allowed growth to the Governor and the Governor-Elect. These include:

- For FY 2007, the Commission recommends a supplemental appropriation of \$20.4 million to restore the "one-time" FY 2002 reduction of \$17.7 million adjusted for inflation since that time.
- For FY 2008, the Commission recommends an increase of \$3.2 million beyond the already appropriated increase of \$4.4 million to account for the additional FY 2007 funding that was added during the 2006 Legislative Session and not included in the FY 2008 appropriation.
- For FY 2009, the Commission recommends an increase of 6.0%, which is \$16.9 million when applied to the formula including the proposed FY 2007 and FY 2008 changes.

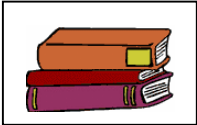
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

DEPARTMENT OF HUMAN SERVICES REQUIRED REPORT RECEIVED - CHILD WELFARE AND JUVENILE JUSTICE EMERGENCY SERVICES PLAN

Required Report



House File 2734 (FY 2007 Health and Human Services Appropriations Act) required the Department of Human Services (DHS) to submit an Emergency Services Plan by December 15 that identified crisis intervention and emergency services alternatives to shelter care. The Plan was also to specify the number of shelter beds that should be guaranteed and not guaranteed for payment, as determined necessary by the Department.

Payment Background

Currently, the Department guarantees payment for 273 shelter care beds on a daily basis. "Guaranteed" means that a bed is paid for by the State whether it is used or not. In recent months, the State has paid for approximately 30 unused beds per day. The amount paid for unused beds in FY 2006 was \$1.1 million and the anticipated cost for FY 2007 is \$972,000.

Report Recommendations



The Plan was received on time and included the following three summarized recommendations:

- The DHS will form analysis groups that include service providers and other key stakeholders to identify and review departmental or other State policies and shelter practices that are barriers to alternatives to congregate shelter care or may create an over-reliance on shelter care when other services are more appropriate. The groups would also assess current licensure requirements.
- The State should continue to maintain the number of beds that provides some fiscal certainty for shelter providers and allows beds to be broadly accessible

geographically; however, the number of guaranteed shelter beds should be reduced by a total of 24 over a two-year period, with a reduction of 12 beds in each of FY 2008 and FY 2009. The projected savings would be an estimated \$400,000 in FY 2008 and \$800,000 in FY 2009.

- The savings from reducing the number of guaranteed beds should be reinvested in the Child Welfare System to enhance emergency services through the development of new services or the expansion of existing ones.

More Information

Copies of the report are available on the DHS web site at:
<http://www.dhs.state.ia.us/docs/>. Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

METH LAB UPDATE

Meth Labs



The Office of Drug Control Policy and the Division of Narcotics Enforcement, Department of Public Safety, reported there were 334 meth labs in Calendar Year (CY) 2006, a decrease of 430 (56.3%) labs compared to the previous CY total of 764. There were 41 meth labs reported in October 2006, an increase of 14 compared to October 2005.

The Division of Narcotics Enforcement is averaging 28 meth lab busts per month. For CY 2006, seven counties had a total of 181 meth labs, which is 54.2% of all meth labs in Iowa. They were located as follows:

- Linn County 32 labs
- Marion County 29 labs
- Black Hawk County 28 labs
- Polk County 27 labs
- Lee County 24 labs
- Dubuque County 23 labs
- Warren County 18 labs

Legislation Request

The Office of Drug Control Policy plans to request the General Assembly adopt legislation similar to Oklahoma and use real time electronic tracking of pseudoephedrine sales.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

DEPARTMENT OF CORRECTIONS RELEASES ANNUAL PERFORMANCE REPORT

Annual Report

The Department of Corrections (DOC) released the FY 2006 Annual Performance Report in December 2006 in compliance with Iowa's Accountable Government Act. The Report provides the Department's

mission, key products and activities, strategic plan initiatives, performance plan results, and highlights of services provided to Iowans.

More Information

A copy of the Report is available on the DOC web site at: <http://www.doc.state.ia.us/publications.asp>. Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DEPARTMENT OF JUSTICE RECEIVES FEDERAL FUNDS FOR VICTIM NOTIFICATION**Federal Funds**

The Crime Victim Assistance Division, Department of Justice, was recently awarded \$1.2 million in federal funds to implement the Iowa Victim Information and Notification Everyday (IowaVINE) Program. This system was authorized by HF 619 (Sex Offender Supervision and Treatment Act) in 2005.

Implementation

According to the Department, the vendor, Appriss, Inc., will provide all of the hardware, software, and training necessary to implement IowaVINE. The computers will sweep existing databases every 15 minutes and transfer the data to secure servers in Louisville, Kentucky. The Department plans to deploy the computer-based system across Iowa, starting with 112 local jails, the Department of Corrections (DOC), and the Board of Parole.

Crime Victims

The information and notification available through the Program includes the status and location of incarcerated offenders. Crime victims may register through the county attorney or directly with the system. Victims may access the information either by a toll-free telephone number or through the web site.

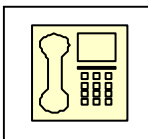
CJIS

IowaVINE will be integrated into the Criminal Justice Information System (CJIS) currently being developed by the Criminal and Juvenile Justice Planning Division, Department of Human Rights. The CJIS will hold justice system information, such as that of the DOC and the courts, in a common information warehouse server. The information will be sent to Kentucky via the CJIS.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

IOWA COMMUNICATIONS NETWORK (ICN) ANNUAL REPORT**ICN Use**

According to the ICN Annual Report, over the past eight years, there has been a 31.0% increase in K-12 ICN usage, which has allowed Iowa secondary students to receive more instruction over the ICN. Nearly 58,000 hours of interactive video was delivered to high school students, a 9.2% increase compared to FY 2005. The ICN provided a 60.0% cost reduction for high-speed Internet in December 2005 that allowed educational and other users increased capacity at the same cost. The ICN Internet use increased 82.0% through mid-May 2006.

Net Assets The ICN reported \$55.3 million in net assets at the beginning of FY 2006 and is reporting \$51.4 million in net assets for the end of FY 2006. The ICN is reporting \$2.6 million in net cash provided by operating activities.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

IOWA LAW ENFORCEMENT ACADEMY ANNUAL REPORT ON TRAINING PROGRAMS

ILEA Training The Iowa Law Enforcement Academy (ILEA) provides certification training for entry-level law enforcement officers through six, 13-week classes. In FY 2006, 220 officers were certified after attending the Academy.

Other Training The Academy also conducted 225 in-service schools around the State last year. A total of 5,675 peace officers, jailers, and telecommunication specialists attended the training sessions. Approximately 1,014 jail employees attended the 40-hour basic school for jailers and 464 telecommunication specialists attended basic entry-level telecommunication training and in-service schools.



The Academy also oversees the regional training facilities that include the Cedar Rapids Police Department, the Department of Public Safety, the Des Moines Police Department, Hawkeye Community Technical College, and Western Iowa Technical Community College.

Tuition Costs The ILEA Council approved tuition costs for FY 2007 at 61.0% of Academy costs. This represents an increase in tuition costs to law enforcement agencies from \$3,210 to \$3,500 per person.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

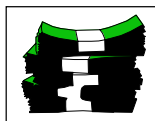
APPEAL BOARD ACTION - CONSOLIDATED INTERACTIVE VIRTUAL INFORMATION CENTER PROGRAM SETTLEMENT

Settlement Agreement



The federal National Guard Bureau and the State entered into a cooperative agreement in September 2000 to support the Consolidated Interactive Virtual Information Center (CIVIC). The agreement was terminated in September 2002. The CIVIC Program was financed through the federal government and supported by a private partner, International Simulation and Training Systems (ISTS), LLC, of Urbandale, Iowa.

Payment Schedule



According to terms and conditions of the lawsuit between the State and federal government, the State agreed to pay the federal government \$5.7 million (settlement amount) plus interest at a rate of 2.95% from February 10, 2005, until the settlement amount is paid in full. The State agreed to pay the \$5.7 million in the following installments:

- \$700,000 on or before June 30, 2005.
- At least \$1.0 million on or before June 30, 2006.

- At least \$1.0 million on or before June 30, 2007.
- The outstanding balance of the settlement amount, plus accrued interest on or before June 30, 2008. The State may pay the settlement amount, plus accrued interest, before June 30, 2008, without any penalties or charges.

Appeal Board Action

To date, the Appeal Board has ratified \$1.8 million in payments to the federal government. The Appeal Board also approved a one-time payment of \$1.3 million to ISTS, LLC, primarily for contract termination costs.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACTS: Beth Lenstra (Ext. 16301) Jennifer Acton (Ext. 17846)

ISSUE REVIEW - SEXUAL PREDATOR COMMITMENT PROGRAM

Issue Review

The Fiscal Services Division of the LSA recently published an *Issue Review* that provides the history of the Sexual Predator Commitment Program under the Department of Human Services (DHS).

Background

The 1998 General Assembly passed the Sexually Violent Predator Act to provide for the civil commitment of certain sexually violent criminals after the criminal's sentence has been completed. The DHS provides services to individuals committed by the court to the Residential Program, providing treatment and behavior change plans. The Program has five "phases" prior to release and there have been four patients transitionally released within Phase V. The Program is located at the Mental Health Institute at Cherokee and, as of December 19, 2006, had 67 patients. Additional staff will be necessary to accommodate the increasing number of patients.

Funding

The General Assembly appropriated \$5.0 million for FY 2007 to the DHS for the operation of the Program. With an average daily census of 67 for FY 2007, this is \$74,000 per patient. For FY 2008, the DHS requested an additional \$1.3 million for staff to accommodate the expected increase in patients.

More Information

Copies of the *Issue Review* may be accessed on the LSA web site at: <http://www.legis.state.ia.us/lsadocs/IssReview/2007/IRSLL000.PDF>. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

ISSUE REVIEW - WOMEN OFFENDERS

Issue Review

The Fiscal Services Division of the LSA recently published an *Issue Review* that provides a description of women offenders in the prison system, and the potential budget impacts due to the growth of this population.

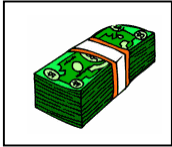
Background Information

The number of women inmates is growing faster than that of the men even though women have a lower recidivism rate. According to the U.S. Department of Justice, Bureau of Justice Statistics, 53.0% of men and 39.4% of women are returned to prison within three years of their release date. In Iowa, 33.0% of men and 29.5% of women are returned to prison within three years of their release date.

Current Situation

The prison system has designed capacity of 7,256 beds, with 573 beds for women and 6,683 beds for men. The prison system was operating at 120.4% of designed capacity on November 17, 2006. Women's facilities were operating at 128.6% of capacity, while facilities for men were operating at 119.8% of capacity.

Budget Impact



The Department of Corrections (DOC) is requesting \$2.5 million in capital costs in FY 2008 to address overcrowding at the Iowa Correctional Institution at Mitchellville. This includes \$1.5 million to convert the Institution into a therapeutic community, and \$1.0 million to begin the design phase of constructing 300 additional beds for women. The total construction costs are estimated to be approximately \$25.0 million over several fiscal years. Operating costs are estimated to be \$12.0 million for 300 additional beds and the therapeutic community.

More Information

Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>. Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

This document can be found on the LSA web site:
<http://www.legis.state.ia.us/Fiscal/fiscupdt/>